

# **PAST FINANCIAL LITERACY RECOMMENDATIONS**

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These are generally summarized findings from previously held forums on the issue of financial literacy. The abbreviations represent the following meetings:

CTS – Choose to Save<sup>®</sup> Forum on Retirement Security and Personal Saving, April 2000

GAO – Government Accountability Office Forum on the Federal Government's Role in Improving Financial Literacy, July 2004

NCEE – National Summit on Economic & Financial Literacy, March 2005

NEFE – The State of Financial Literacy in America – Evolutions and Revolutions Sponsored by the National Endowment for Financial Education, October 2002

SAVER 2002 – The National Summit on Retirement Savings, February 2002

## **Federal Government Role**

### **1) Work more Cooperatively and efficiently**

- Increase in federal government partnerships with private organizations – GAO
- Federal government should integrate efforts across agencies – GAO
- Federal government should consolidate efforts to those agencies that have the most expertise in the issue – GAO
- Involve state and local governments - CTS

### **2) Make Financial Literacy an Issue of National Importance**

- Should be leader and use unique bully pulpit to make issue of national importance but largely be a supporter as so many efforts up and running - GAO
- Continued financially illiterate populace could have national implications – NEFE
- Establish national measures and goals for savings and financial literacy – SAVER 2002

### **3) Make Use of Current Programs**

- Have SSA deliver tailored messages to recipients based upon age, death, earnings, etc – SAVER 2002, CTS
- Promote financial planning resources through SSA benefit statement mailings, tax refund mailings, etc – CTS

### **4) Miscellaneous**

- Could help in setting standardized evaluation tools, serve as clearinghouse for them, and disseminate best practices – GAO

## **Federal Government Policy**

### **1) Revise Tax Policies**

- Allow unused 529 plans to rollover into retirement accounts – SAVER 2002
- Allow financial planning to be a pretax expense – SAVER 2002, CTS
- Allow for a Form 1040 check off that directs refunds to retirement accounts – SAVER 2002
- Remove income limits on IRAs – SAVER 2002
- Exempt from gift tax any contribution to a minor's IRA or any working person willing to match it to their IRA – SAVER 2002

- Allow tax-free rollover from qualified retirement accounts to Section 529 plans – SAVER 2002
- Provide tax-credit for those that save in certain incomes ranges – CTS
- Allow for nonretirement savings vehicles – SAVER 2002

## **2) Revise Retirement Savings Policies**

- Review any laws or regulations that impede employees contributing to plans – SAVER 2002
- Improve safety of retirement savings through legislation – SAVER 2002
- Remove laws that impede smooth, phased transitions into retirement – SAVER 2002
- Promote negative election as a default design feature – CTS
- Promote preservation/rollover through the use of waivers signed by employee recognizing their foregone future accumulations – CTS
- Require rollover as a default design feature – CTS
- Create a “retirement plan” for workers with no access to employee sponsored plan – CTS
- Require employers to explain options on end of employment – CTS
- Expand “pension counseling projects” – SAVER 2002, CTS

## **Nonprofit Organization Role**

### **1) Need for National Plan**

- Large amount of material and programs available but lack of overall marketing plan and national emphasis limits distribution – NEFE
- National media campaign is needed – CTS

### **2) Need for Cooperation**

- Working across organizations and agencies is the only viable solution – NEFE
- Work with local organizations for grassroots efforts – CTS

## **Employer Role**

### **1) Voluntary Efforts in Employee Retirement Plan Participation**

- Make participation part of company goals – CTS
- Eliminate vesting schedules – CTS
- Allow for immediate eligibility – CTS
- Consider “family friendly” education by getting employee’s household involved – CTS
- Tailor communication to corporate culture/audience/employees (Hard Rock Café and “150% tip”) – SAVER 1998
- Understand employees financial needs – CTS
- Motivate management and supervisors to participate in educating employees – CTS
- Utilize payroll stubs as messaging opportunity – CTS
- Have “Financial Awareness Day” – CTS
- At hiring, show long-term benefits of participation – CTS
- Consider peer communications to encourage participation – CTS
- Make enrollment and participation as easy as possible – CTS
- Allow for “paid time off” to attend educational programs – CTS
- Educate employers on value of retirement plans for employee retention – CTS

### **2) Need for More Retirement Plans in Small Businesses**

- Larger plans have more “back office” support – SAVER 1998
- Promote less-costly retirement savings plans to small business – SAVER 2002

- Provide investment advice for employees that need it – CTS
- Employ various schemes to grow access and use of small employer retirement plans – CTS

## **Financial Services Company Role**

### **1) Miscellaneous**

- Enlist to provide incentives to save, invest, and plan – CTS
- Develop some mechanism that allows consumers to contribute a percent of purchases to a retirement account (for example, 2% of debit card use goes to IRA) – SAVER 2002

## **Education Programs Needs and Specifications**

### **1) Audiences**

- Target employees not using employer-based retirement plans – SAVER 1998
- Target individuals who have no employer-based access to retirement plans – SAVER 1998, CTS
- Target owners and employees of small business – SAVER 1998
- Target lower-income people – SAVER 1998
- Target women – SAVER 1998, SAVER 2002
- Target minorities – SAVER 1998, SAVER 2002
- Target Youth (1982-2000) – SAVER 2002
  - DOE needs to deepen its commitment to financial education – GAO
  - Reaching youth is critical to establish a foundation – NEFE
  - Target younger Americans – SAVER 1998
  - Create savings bond program, savings campaigns for school aged children – SAVER 2002
  - Build upon existing programs such as Choose to Save – SAVER 2002
  - Create education program to help teachers with financial issues and require in school curriculum – SAVER 2002
  - Retirement is likely too far away to be relevant – SAVER 2002
  - Incorporate parental and other family involvement – SAVER 2002
  - Speak to sense of patriotism, independence – SAVER 2002
  - Raise financial education to level of anti-drug messaging (“Just Say No”) – SAVER 2002
  - Promote financial literacy in K-12 – CTS
  - Teach basics of retirement planning value – CTS
  - Raise the profile of the importance of economics education – NCEE 2002
  - Use Voluntary National Content Standards in Economics to build curriculum – NCEE2002
  - Find new ways to incorporate economics and personal finance into curriculum – NCEE 2002
  - Make the case for separate economics courses – NCEE 2002
  - Use assessment instruments to demonstrate the value of economic education – NCEE 2002
  - Create best practices for teaching – NCEE 2002
- Target Rising Adulthood (1962-1981) – SAVER 2002
  - Target those saving nothing or little – SAVER 2002
  - Appeal to desire for flexibility, independence – SAVER 2002
- Target Midlife (1943-1961) – SAVER 2002
  - Communication through employers – SAVER 2002
  - Prepare segment for managing money IN retirement – SAVER 2002, CTS
  - Convey that it’s never too late to start saving – SAVER 2002
- Target Elderhood (1925-1942) – SAVER 2002
  - Wrap financial messages into broader healthy living messages – SAVER 2002
  - Reach segment where they congregate and have trained coaching where possible – SAVER 2002

- Use them as trainers for family and others – SAVER 2002
- Appeal to nostalgia – SAVER 2002
- Suggest even on fixed income that saving is possible – SAVER 2002
- Segment into affinity groups (sports, clubs, religious, etc) for education – SAVER 2002, CTS

## **2) Topics to Teach**

- Basic skills such as budgeting – GAO
- “Higher” level skills such as retirement planning, investing and managing credit – GAO
- Retirement topics should include: - SAVER 1998
  - Plan participation
  - Contribution amount
  - Contribution allocation
  - Rollover issues
  - Plan workings and contributor rights

## **3) Teaching Methods and Considerations**

- Consumers need to establish goals big and small – NEFE
- Determine first of what information consumers are most in need – CTS
- Personalize messages based upon various criteria – SAVER 2002, CTS
- Develop national message similar to “Got Milk,” “Just Say No,” etc. – CTS
- Delivery at “teachable moments” when information is applicable – GAO, NEFE, SAVER 2002
- Financial literacy is a lifelong effort – NEFE, CTS
- Focus on long-term savings approach – SAVER 1998
- Provide communications that provide specific information, such as retirement needs calculators versus broad conceptual lectures on issues – SAVER 1998, CTS
- Avoid guilt or fear tactics on employees – SAVER 1998
- Describe possible outcomes based upon different rates of personal savings – SAVER 2002
- Program evaluation should assess outcomes – GAO